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SENSITIVE  
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DEPARTMENT FOR EAP/MLS

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SUBJECT: SCENESETTER FOR SENATOR JIM WEBB VISIT TO PHNOM  
PENH

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SENSITIVE BUT UNCLASSIFIED

11. (SBU) Senator Webb: We warmly welcome your August 18 visit to Cambodia. Your visit comes as the tempo quickens in the conduct of U.S.-Cambodian bilateral relations, which exemplifies a broader and growing USG interest in Cambodia. There have been positive developments in several key areas: peaceful national elections in July 2008; active Cambodian participation in the Global Peace Operations Initiative (GPOI); continued cooperation in the fight against trafficking in persons; and cooperation on sensitive refugee issues. Cambodia remains a solid partner on counterterrorism and POW/MIA matters. Thirty years after the Khmer Rouge atrocities, the first of five cases is in trial before a mixed international-domestic tribunal. Our military-to-military relationship continues to strengthen: ship visits and medical readiness and engineering capabilities exercises are all being utilized to improve cooperation in civil-military operations. Our bilateral trade relationship continues to grow with a rapidly expanding U.S. commercial presence, including Microsoft, DuPont, GE, and others, though bilateral debt remains a continuing sticking point in our economic relationship. While our development work still faces significant challenges, we are seeing a new level of engagement on the part of the Royal Government of Cambodia (RGC) in health (HIV/AIDS and avian influenza), education, and environmental issues. Even so, problems remain: Cambodia is one of the world's poorest countries, and economic growth is expected to decrease considerably in 2009; weak rule of law, corruption, and weak institutions continue to hamper Cambodia's development; incidents of land disputes and forced evictions, sometimes accompanied by violence, continue to be a high-profile concern; and recent attacks on freedom of expression are constricting political space.

12. (SBU) Your visit is an opportunity to discuss strong cooperation in counterterrorism, counternarcotics, and anti-trafficking in persons, and to raise concerns highlighted in Washington about the recent constriction of political space through a spate of defamation and disinformation lawsuits. It's also an opportunity to prompt the RGC to reconsider its position on the bilateral debt and help move that issue forward. Moreover, the U.S. will likely soon be exploring the possibility of future assistance to the Khmer Rouge Tribunal with the expected resolution by the UN and Cambodian government of an anti-corruption mechanism for the court; you will have an opportunity to observe some of the gripping testimony there, engage with court officials on how this hybrid international criminal court can be a model elsewhere, and inform future discussions in Washington about additional U.S. funding.

Domestic Political Stability

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13. (SBU) The domestic political situation is stable. According to an International Republican Institute public opinion poll in February, 82 percent of the population believes that the country is headed in the right direction, compared to 77 percent a year ago. The improving infrastructure -- roads, bridges, schools, clinics -- is the main reason for this outlook. Corruption, high prices, and poverty top concerns cited by those worried about the country's direction and other poll data show an increasing anxiety about crime-related issues (corruption, drugs, gangs, land grabbing, and environmental abuse). Cambodia's 2008 national elections were peaceful and allowed the Cambodian people to express their preferences in an open and fair manner. Despite these improvements, the elections fell short of international standards on several counts, including equitable access to media. U.S. foreign assistance aims to encourage expanded political participation by youth and women in elections and political processes.

#### Expanding Military Relations

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14. (SBU) U.S.-Cambodian security cooperation is expanding at a sustained rate. As our military-to-military relationship matures beyond the traditional and still-active areas of MIA recovery and demining, we are looking to focus on areas such as defense reform and professionalization, regional cooperation and international peacekeeping, border and maritime security, counterterrorism, and civil-military operations. Ship visits, medical readiness exercises and engineering capabilities exercises are all being utilized to improve cooperation in civil-military operations within Cambodia. Through security cooperation we are helping to

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develop centralized logistics and transportation functions within the Armed Forces, a central coordinating authority for maritime security and building capacity to secure Cambodia's maritime domain, a credible peacekeeping and counterterrorism capacity, and greater regional and multilateral cooperation. Members of the PACOM Augmentation Team provide counsel and training to the Royal Cambodian Armed Forces in its continued effort to build a credible counterterrorism unit.

Cambodia as an International Actor:  
Global Deployments and the Khmer Rouge Tribunal

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15. (SBU) Cambodia has begun looking outward and seeks a more visible role in international and regional affairs that is consistent with the country's limited resources and capacity. Cambodia is an active participant in the Global Peace Operations Initiative (GPOI) and participated in its second Capstone exercise in Indonesia in June. The GPOI program has assisted Cambodia in increasing peacekeeping operations (PKO) capacities to support continued UN PKO rotations to Sudan, where Cambodia has deployed demining companies since 2006. Cambodia will host the GPOI Capstone exercise in 2010 and is preparing to expand its PKO deployments to Chad and the Central African Republic early next year.

16. (SBU) Cambodia has engaged the international community in its pursuit of justice for the Khmer Rouge genocide. Although the establishment of the Extraordinary Chambers in the Courts of Cambodia (ECCC) took seven years to negotiate with the UN, the Khmer Rouge Tribunal (KRT) has since arrested and detained five Khmer Rouge leaders and charged them with some 25 separate crimes, including crimes against humanity, war crimes and genocide. The current hearing for Kaing Guek Eav, known as Duch, former head of the Tuol Sleng torture center, is the most tangible step to date in the hybrid tribunal's efforts to try those individuals most responsible for the 1.7 million people killed under the brutal Khmer Rouge regime. Successful trials in the KRT have

the potential to strengthen rule of law and judicial independence in Cambodia and address questions of impunity and accountability for the crimes of the Khmer Rouge regime. Past allegations of mismanagement and corruption within the Cambodian court administration had threatened its integrity, although judicial proceedings are going well and there are no allegations linking corruption to any of the judges. Ambassador at Large for War Crimes Clint Williamson visited Cambodia earlier this month in an effort to facilitate negotiations on a new anti-corruption mechanism for the KRT, and we remain hopeful that the UN and Cambodian government will announce an agreement soon. The court will require more financial support, and the Secretary continues to review whether the KRT is capable of providing justice at an international standard.

#### Cambodian Economy Hard Hit by the Global Economic Crisis

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17. (SBU) Cambodia's heady days of double digit economic growth are over. The adverse impacts of the global economic crisis have brought Cambodia's growth to a screeching halt, from 10.2 percent in 2007 to low single digits, if not the World Bank's estimated negative 1 percent in 2009. Nearly all of the pillars of Cambodia's economy - garments, tourism, and construction - have been adversely affected; only the agriculture sector has thus far been unaffected. The economic crisis poses significant challenges to sustaining the country's progress toward its development goals and meeting the needs of the country's most vulnerable affected by the crisis. To date the government's efforts to mitigate the adverse impacts have failed to address the fundamental challenges of sustaining economic growth and a more comprehensive, coordinated response is urgently needed to prevent greater numbers of the population from falling into poverty. The garment industry represents roughly 30 percent of the country's overall GDP. The U.S. market for Cambodian textile exports is still a crucial part of Cambodia's economy, representing over 70 percent of the country's exports in this key sector and the U.S. is Cambodia's chief trading partner. The Cambodian government, garment industry, and unions are strong supporters of proposed legislation by Senator Feinstein that would allow duty-free access for garments from Cambodia and other less developed countries. Chevron is involved in Cambodia's offshore oil/gas exploration efforts, with 2011 foreseen as the earliest possible date for exploitation of these resources. While American investors have been slower than their Asian counterparts to seize Cambodia's business opportunities, the U.S. commercial presence is rapidly expanding with a

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multi-million dollar investment by U.S. manufacturer Crown Holdings and the establishment of representative offices by GE, DuPont, Microsoft, and Otis Elevators.

#### Bilateral Debt

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18. (SBU) Cambodia's bilateral debt to the U.S. totals USD162 million, but with arrears factored in could reach approximately USD352 million. The debt stems from shipments of agricultural commodities, such as rice and wheat flour, financed with low-interest rate loans by the U.S. Department of Agriculture, to the Lon Nol regime in the early 1970s. Interest accumulated over three decades, following the country's fall to the Khmer Rouge. In 1995, Cambodia and Paris Club creditors (including the U.S.) agreed to a debt restructuring package, and Cambodia signed bilateral agreements with and began repaying most creditors. Bilateral negotiations with the U.S. stalled over the amount of debt owed, until 2006 when an agreement in principle was reached on the exact amount of principal owed.

19. (SBU) Since then, the RGC has been reluctant to sign a bilateral repayment agreement. This is partly due to the

fact that, while the RGC accepts responsibility for debts incurred by former governments, there are domestic political obstacles to the debt of a regime that deposed King Sihanouk.

The RGC is seeking concessions beyond the terms of the 1995 Paris Club accords and wants to link repayment directly to a debt-swap program similar to debt-for-assistance measures enacted for Vietnam to make a repayment agreement more palatable to Cambodians and the members of the National Assembly. In 2007 key Senate Foreign Relations Committee and House Foreign Relations Committee staffers expressed interest in a debt-for-aid mechanism to support education or other programs. Other staffers have suggested eliminating the debt entirely. Cambodia has been given the final best offer on debt rescheduling that the USG is able to make under the Paris Club principles and existing legal and budgetary rules, and Cambodia's economic and financial situation does not merit debt reduction. The USG continues to urge the RGC to accept the already concessional interest rate of 3 percent and sign the repayment agreement first, arguing that Congress might view more favorably a debt-swap or other agreement if Cambodia is already making payments and in good financial standing with the U.S. However, the RGC still seeks to directly link the signing of a repayment agreement with a guarantee of a debt recycling program.

Human Rights: Glass Half Empty or Half Full?

10. (SBU) The RGC allowed significantly greater freedom to the political opposition during the 2008 elections than was the case in prior votes, and had shown some willingness to engage on civil liberties and human rights issues. However, Cambodia's overall human rights record remains poor. Prime Minister Hun Sen and the Cambodian People's Party continue to dominate all three branches of the government as well as other national institutions. Cambodia's leaders recently revived a tactic last seen in 2005 to use Cambodia's weak and easily-influenced judiciary to pursue legal cases against critics and the political opposition. Defamation, disinformation, and incitement cases against members of the political opposition, journalists, and private citizens is a worrying trend, and one that is eroding recent gains for political space in Cambodia. Land disputes and forced evictions, sometimes accompanied by violence, continue to be a high-profile problem. U.S. foreign assistance aims to reduce corruption, improve political rights and selected civil liberties, and improve the justice system in support of these aims by supporting reform-minded institutions and individuals; engaging civil society as a voice for reform; and building capacity of public and private institutions.

Progress on Trafficking in Persons Hits a Snag

11. (SBU) In past years, Cambodia made significant progress in combating trafficking in persons as reflected in their movement from Tier 3 in 2005 to Tier 2 in 2008. A new law on Suppression of Human Trafficking and Commercial Sexual Exploitation came into effect in February 2008. Also in 2008, the RGC's anti-trafficking National Task Force established anti-TIP working groups in 24 provinces and municipalities, and launched a nationwide campaign to persuade Cambodians to take action against human trafficking.

Despite this progress, Cambodia was downgraded to Tier Two Watch List in 2009. Cambodia's anti-trafficking efforts

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remain hampered by corruption at all levels of government and an ineffectual judicial system. An increase in police crackdowns on brothels, credited by some to the passage of the new law, may have resulted in many prostitutes selling sex on the streets, increasing their vulnerability to violence and HIV infection. In October 2008, DPM Sar Kheng implemented new guidelines in an attempt to address concerns about human rights abuses of prostitutes and other victims rescued during brothel raids. However, as a result of the

confusion over the law, there has been a decrease in arrests (approximately 30-40%) and convictions of traffickers during last year's TIP Report rating period (April 2008-March 2009).

Although its commitment is significant, Cambodia is far from solving its own TIP problems, including overcoming widespread corruption and challenges arising in implementing the 2008 anti-TIP law.

#### Corruption Remains Endemic

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¶12. (SBU) The RGC has consistently failed to finalize and pass much-needed anti-corruption legislation. While a solid Anti-Terrorism Law, Money Laundering Law, and Criminal Procedures Code have moved at a brisk pace to passage, other key pieces of legislation (most notably the anti-corruption legislation but also wholesale revision of the penal code) that have been repeatedly promised to the donors and Cambodian public have seen another year of continued RGC foot dragging. In 2008, Transparency International ranked Cambodia 166 out of 180 countries in its corruption perceptions index; Burma was the only country in Asia ranked lower than Cambodia. There has been continued and widespread land-grabbing by government officials and the politically well-connected. Uprooted communities from outside Phnom Penh seek government redress by traveling to the city to draw media and public attention to their plight. Cambodia's competitiveness ranking (109 out of 134 in 2008) is also one of the lowest in the world, again due largely to perceived systemic corruption. Rather than embrace the reforms that would garner increased investment and the new jobs that would be created, the RGC appears to be banking on the future income from its as-yet-untapped oil and gas reserves, which should come on stream by 2011 at the earliest. The current corrupt political environment flows into the top-heavy and anachronistic military as well, and this will be another challenge for our mil-to-mil relationship.

¶13. (SBU) Given where Cambodia was a decade ago, it has come a long way. Given where Cambodia needs to be, it still has much to do to establish transparency, accountability, and general good governance. The United States is perceived as a trusted partner in these efforts but, at the same time, our efforts are not always successful. Although Cambodia's tragic history should be no excuse for not resolving its current problems, that history does largely set the parameters for how far and how fast it can evolve into the kind of nation and society we all hope it will someday become. Continual U.S. engagement at all levels and in all fields will remain crucial for effecting these changes needed, and your visit will be key to that effort. We stand ready to help make it a success.

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